

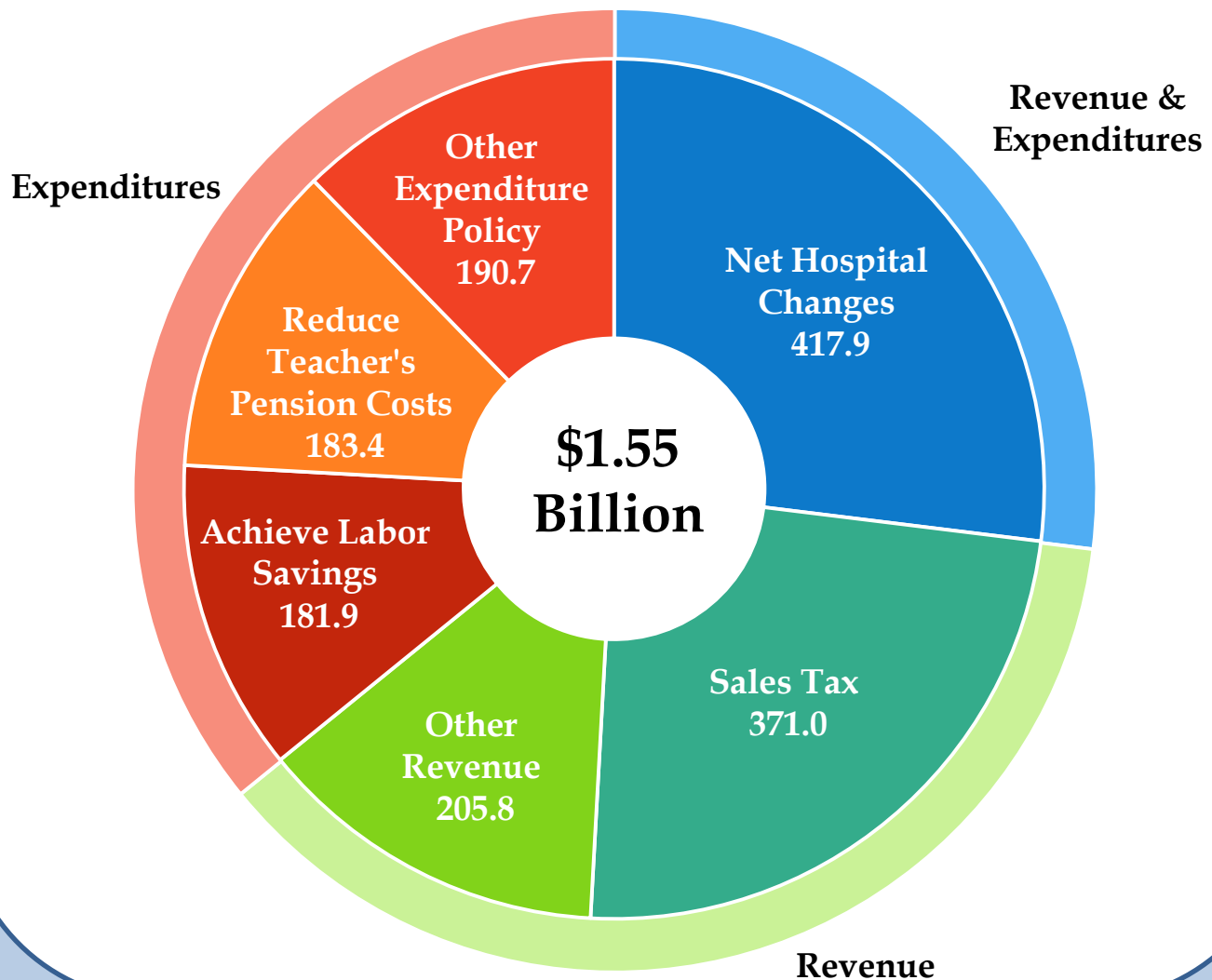
# OFA

## Synopsis of Governor's Budget Plan

FY 20 – FY 21

### Solving the General Fund Deficit

Millions of Dollars



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*The following is intended to provide information on the Governor's FY 20 and FY 21 Budget, revenue and capital plan for the committees of Appropriations and Finance, Revenue and Bonding as background for the Office of Policy and Management presentation. Since the budget was released Wednesday, we have tried to highlight major areas of interest rather than provide a full-scale comprehensive analysis. Such in-depth analysis will be undertaken by both committees with the assistance of OFA staff in the coming weeks.*

## **Executive Summary**

The Governor's FY 20 and FY 21 Budget balances projected General Fund deficits of \$1.5 billion and \$2.2 billion, respectively. This is largely the result of changes in hospital financing, revenue policies, technical adjustments and growth in revenue and expenditures.

These deficits are closed primarily through: 1) maintaining the hospital user fee structure; 2) expanding the Sales Tax base, and maintaining the transfer of motor vehicle Sales Tax revenues to the Special Transportation Fund; 3) savings related to state employee and teacher pension; and 4) making a number of other distinct ongoing revenue and expenditure policy changes. These changes are detailed in depth further in this report.

## **Special Transportation Fund**

The Governor's proposal freezes the General Fund transfer of the car sales tax at the current rate of 8.0% and maintains the existing Sales and Use tax transfer of 0.5% which includes additional revenue from expanding the scope of the tax. Together these policies result in a decrease in revenue of \$63.6 million in FY 20 and \$131.5 million in FY 21. The proposal also: (1) changes the duration of operator licenses and registrations which increases revenue by \$25.7 million in FY 21 and (2) transfers \$20 million of the cumulative FY 20 balance to FY 21.

The proposed revenue changes allow for operating surpluses in FY 20 and FY 21 but ultimately lead to an operating balance deficiency starting in FY 22, which may have an impact on marketing Special Tax Obligation bonds for transportation initiatives.

The Governor's recommendation to solve long-term projected deficits relies on two tolling options expecting to begin collecting revenue in FY 23; (1) congestion mitigation pricing (i.e., all vehicles) which is projected to generate \$185.8 million in FY 23, \$742.3 million in FY 24 and approximately \$800 million annually when fully implemented; and (2) truck only tolling which would generate \$29.5 million in FY 23 and \$36 million in FY 24. Full implementation of the truck-only tolling is projected to raise \$200 million annually, but, according to the Governor's proposal, could "take decades" to achieve.

## **MUNICIPAL AID**

The Governor's FY 20 and FY 21 budget proposal reduces municipal aid from FY 19 levels by \$74.0 million in FY 20 and \$17.3 million in FY 21. This is primarily due to 1) decreases in Teachers' Retirement Contributions on behalf of municipalities of \$83.5 million in FY 20 and \$44.3 million in FY 21, and 2) a requirement for municipalities to contribute \$23.8 million in FY 20 and \$49.2 million in FY 21 towards the normal cost of teachers' retirement contributions.

## **Town Contributions to the Normal Cost for the Teachers' Retirement System**

The proposal requires most towns to pay a phased-in contribution for at least one-quarter (25%) of the normal cost (\$23.8 million in FY 20 and \$49.2 million in FY 21) paid on its behalf by the state. The full normal cost contribution is required in FY 22, the third year of the phase-in, and

is an estimated \$71.5 million. Municipalities who have teacher salaries above the statewide median are required to pay a share equal to each percentage point they are above the median. Contributions by distressed municipalities are limited to five percent of their associated normal cost.

## CAPITAL SUMMARY

### Changes to Bond Authorizations

The Governor's recommended budget has total net effective authorizations at \$2.8 billion in FY 20 and \$2.2 billion in FY 21. New authorizations (approximately \$1 billion per year in General Obligation (GO) bonding and around \$780 million per year in transportation bonds) supplement existing authorizations that are scheduled to become effective in the biennium.

The GO authorization changes, combined with changes to General Fund net revenues, are projected to put the state at 82.2% of the debt limit (\$2.1 billion below the 90% threshold) for FY 20 and at 79.6% (\$2.9 billion below the 90% threshold) for FY 21.

### Limit Bond Issuance to Reduce Debt Service

The Governor's recommended budget includes reductions to debt service in the General and Special Transportation Funds, based on limiting bond issuance going forward. General bond issuance would be limited to \$1.6 billion per year (below the current \$1.9 billion issuance cap), while transportation bonds would be set at \$800 million in FY 21.

More information on the Governor's recommended changes to bonding is available in the capital section of this synopsis.

## I. MAJOR POLICY CHANGES

### Restore Hospital Provider Tax and Supplemental Payments to FY 19 Level

The following table reflects restoring the hospital provider tax and Medicaid supplemental hospital payments to FY 19 levels after accounting for a \$40 million reduction to the Medicaid supplemental payments to bring payments under the federal limit.

Item	Current Law - \$			Governor Proposal - \$		
	FY 19	FY 20	FY 21	FY 20	FY 21	FY 20 Impact
Hospital Tax	900	384	384	900	900	516
Supplemental Payments	(493.3)	(166.5)	(166.5)	(453.3)	(453.3)	(286.8)
Federal Grant Revenue	328.8	109.2	109.2	297.9	296.5	188.7
<b>Total Net Impact</b>	<b>735.5</b>	<b>326.7</b>	<b>326.7</b>	<b>744.6</b>	<b>743.2</b>	<b>417.9</b>

### Labor Concessions

The following proposals are reflected in the Governor's Recommended Budget as Labor Concession Savings and accounted for as a bottom line lapse (savings) in the General Fund in the amount of \$181.9 million in FY 20 and \$276.8 million in FY 21 and \$18.3 million in FY 20 and \$19.7 million in FY 21 in the Special Transportation Fund.

### Modify State Employees' Retirement System (SERS)

The Governor recommends the following changes to SERS: (1) link COLA formula for future retirees to SERS investment performance, (2) extend the amortization period from 2032 to 2046

for the statutory portion of the unfunded accrued liability (UAL) which is approximately \$4 billion of the total \$21.2 billion UAL, and (3) eliminate legislator travel allowance from the SERS benefit formula. The estimated General Fund impact of the changes is approximately \$131.9 million in FY 20 and \$141.8 million in FY 21. SERS is currently governed by a collective bargaining agreement which is in effect until 2027.

### **Implement Changes to the Active and Retire State Employee Health Programs**

The Governor recommends the following changes to the active and retired state employee health programs: (1) expand the Health Enhancement Program (HEP) and Smart Shopper program and (2) establish a maximum reimbursement rate for hospital services at a percentage increase over Medicare. The estimated savings from these initiatives are \$50 million FY 20 and \$135 million in FY 20. Active and retiree health are currently governed by a collective bargaining agreement which is in effect until 2027.

## **CHANGES TO TEACHERS' RETIREMENT SYSTEM**

### **Invoke "Adequate Provision" to Pension Obligation Bonds to Make Changes to TRS Payments**

The 2008 Pension Obligation Bonds (POBs) include a requirement to make the actuarially determined payment necessary to eliminate any unfunded liability in the fund by a fixed year (2033). Also included in the bond covenant for the POBs are the ways in which these requirements may be altered, including one option where changes can be made if the state has made "adequate provision" for bondholders.

The Governor proposes making "adequate provision" by setting aside \$381 million<sup>1</sup>, the amount of the highest annual POB debt repayment, and further backing the POBs repayment by attaching them to lottery receipts. In turn, the state would make changes to the unfunded liability payment calculation that otherwise would not be allowed prior to repayment of the POBs.

### **Adjust Funding Methodology in Teachers' Retirement System (TRS)**

The proposal includes changes to the funding methodology of the TRS which result in a contribution reduction of \$183.4 million in FY 20 and \$189 million in FY 21. These changes are similar to many of the provisions adopted for the State Employees' Retirement System in 2017 and include the following:

- Reducing the assumed discount rate from 8.0 percent to 6.9 percent.<sup>2</sup>
- Re-amortizing the unfunded liability over a new 30-year period.
- Transitioning from a level percent of payroll to a level dollar amortization over a five-year transition period.

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<sup>1</sup> Appropriates \$381million of FY 19 projected surplus to debt service.

<sup>2</sup> Re-amortization is contingent upon "adequate provision" for bondholders as described above.

## II. FINANCIAL SUMMARY

The Governor's Recommended General Fund Budget has an operating surplus of \$105.7 million in FY 20 and \$170.4 million in FY 21. After reflecting the new budgeting requirements<sup>3</sup> the Governor's Recommended General Fund Budget has a budgeted surplus of \$8.9 million in FY 20 and \$20.2 million in FY 21.

### Balance Summary (in millions)

General Fund	Recommended FY 20 \$	Recommended FY 21 \$
Revenues	19,365.0	20,037.3
Appropriations	19,259.3	19,866.9
<b>Operating Surplus / (Deficit)</b>	<b>105.7</b>	<b>170.4</b>
Required Surplus <sup>1</sup>	96.8	150.3
<b>Budgeted Surplus / (Deficit)</b>	<b>8.9</b>	<b>20.2</b>
<b>Special Transportation Fund</b>		
Revenues	1,724.5	1,823.7
Appropriations	1,705.3	1,806.6
<b>Operating Surplus / (Deficit)</b>	<b>19.2</b>	<b>17.1</b>
Required Surplus <sup>1</sup>	8.6	13.7
<b>Budgeted Surplus / (Deficit)</b>	<b>10.6</b>	<b>3.4</b>
<b>Other Appropriated Funds</b>		
Revenues	254.6	266.6
Appropriations	253.5	265.1
<b>Budgeted Surplus / (Deficit)</b>	<b>1.1</b>	<b>1.5</b>
<b>All Appropriated Funds</b>		
Revenues	21,344.1	22,127.6
Appropriations	21,218.1	21,938.6
<b>Operating Surplus / (Deficit)</b>	<b>126.0</b>	<b>189.0</b>
Required Surplus	105.4	164.0
<b>Budgeted Surplus / (Deficit)</b>	<b>20.6</b>	<b>25.0</b>

The Governor's Recommended General Fund Budget has a growth rate of 1.4% in FY 20 and 3.2% in FY 21. See the table below for details.

### Budget Growth Rates (in millions)

Fund	FY 19 Revised Appropriation \$	Recommended FY 20 \$	FY 20 Change		Recommended FY 21 \$	FY 21 Change	
			\$	%		\$	%
General	18,998.2	19,259.3	261.1	1.4%	19,866.9	607.60	3.2%
Transportation	1,617.3	1,705.3	88.0	5.4%	1,806.6	101.3	5.9%
Other Appropriated	239.9	253.5	13.6	5.7%	265.1	11.6	4.6%
<b>TOTAL</b>	<b>20,855.4</b>	<b>21,218.1</b>	<b>362.7</b>	<b>1.7%</b>	<b>21,938.6</b>	<b>720.5</b>	<b>3.4%</b>

<sup>3</sup>PA 17-2 JSS limits total appropriations for the General Fund and the Special Transportation Fund to a set percentage of total revenues; 99.5% in FY 20 and 99.25% in FY 21.

### FY 20 and FY 21 Budget Fund Summaries

<b>Fund Summary</b>	<b>FY 20 \$</b>	<b>FY 21 \$</b>
General Fund	19,462,701,846	20,165,168,753
Special Transportation Fund	1,735,552,639	1,838,288,769
Banking Fund	25,492,225	26,495,108
Insurance Fund	105,723,303	114,616,424
Consumer Counsel and Public Utility Control Fund	27,426,276	28,495,325
Workers' Compensation Fund	28,024,178	28,653,645
Mashantucket Pequot and Mohegan Fund	49,942,796	49,942,796
Regional Market Operation Fund	1,084,678	1,106,857
Criminal Injuries Compensation Fund	2,934,088	2,934,088
Tourism Fund	12,894,988	12,894,988
<b>Subtotal</b>	<b>21,451,777,017</b>	<b>22,268,596,753</b>
<b>General Fund Lapses</b>		
Unallocated Lapse	(9,515,570)	(9,515,570)
Unallocated Lapse - Judicial	(5,000,000)	(5,000,000)
Statewide Hiring Reduction	(7,000,000)	(7,000,000)
Achieve Labor Concessions	(181,900,000)	(276,800,000)
<b>Subtotal</b>	<b>(203,415,570)</b>	<b>(298,315,570)</b>
<b>Special Transportation Fund Lapses</b>		
Unallocated Lapse	(12,000,000)	(12,000,000)
Achieve Labor Concessions	(18,300,000)	(19,700,000)
<b>Subtotal</b>	<b>(30,300,000)</b>	<b>(31,700,000)</b>
<b>Net Appropriations</b>		
General Fund	19,259,286,276	19,866,853,183
Special Transportation Fund	1,705,252,639	1,806,588,769
Banking Fund	25,492,225	26,495,108
Insurance Fund	105,723,303	114,616,424
Consumer Counsel and Public Utility Control Fund	27,426,276	28,495,325
Workers' Compensation Fund	28,024,178	28,653,645
Mashantucket Pequot and Mohegan Fund	49,942,796	49,942,796
Regional Market Operation Fund	1,084,678	1,106,857
Criminal Injuries Compensation Fund	2,934,088	2,934,088
Tourism Fund	12,894,988	12,894,988
<b>TOTAL NET APPROPRIATIONS</b>	<b>21,218,061,447</b>	<b>21,938,581,183</b>

### Governor's Recommended Budget - Out Year Impact

The following table presents the Governor's estimated available General Fund revenue and expenditures for the three fiscal years ensuing the next biennium<sup>4</sup>. These estimates assume the policies recommended in the Governor's proposed FY 20 -FY 21 biennium budget are adopted in whole and are annualized into future fiscal years.

#### Out Years (in millions)

General Fund	FY 22 \$	FY 23 \$	FY 24 \$
Total Revenue	20,650.8	21,169.8	21,606.9
Budgetary Caps	(458.3)	(545.6)	(626.3)
Available Revenue	20,192.5	20,624.2	20,907.7
Expenditures	20,576.7	21,378.3	21,961.2
<b>BALANCE</b>	<b>(384.2)</b>	<b>(754.1)</b>	<b>(990.5)</b>

### Budget Reserve Fund

The Governor's proposed budget results in an increase in the Budget Reserve Fund from \$1.185 billion in the current fiscal year to a projected \$2.794 billion after FY 21. Deposits come from annual operating surpluses, volatility transfers, and statutorily required surpluses<sup>5</sup>. These deposits are offset in the current year by a transfer of a portion of the current year balance to the Teachers' Retirement System Special Capital Reserve Fund.

#### Budget Reserve Fund Projections (in millions)

	FY 19 \$	FY 20 \$	FY 21 \$
Beginning Balance	1,185.3	1,968.4	2,354.3
Operating Surplus	516.1	8.9	20.2
Volatility Transfer	648.0	280.2	269.1
Required Surplus	-	96.8	150.3
Transfer to TRB SCRF	(381.0)	-	-
<b>BRF TOTAL</b>	<b>1,968.4</b>	<b>2,354.3</b>	<b>2,793.9</b>

<sup>4</sup>Estimates are from the Governor's Three Year Budget Report, FY 22, FY 23, and FY 24.

<sup>5</sup>PA-17-2 JSS limits total appropriations for the General Fund and the Special Transportation Fund to a set percentage of total revenues; 99.5% in FY 20 and 99.25% in FY 21.



### III. SIGNIFICANT CHANGES BY SUBCOMMITTEE

#### LEGISLATIVE

##### **Adjust Budget Request – OLM, CEO, CWS, APA**

The Legislative budget requests are reduced by \$12.7 million in FY 20 and \$14.7 million in FY 21 through a back of the budget lapse. Included in this lapse are:

- Reductions of \$4.6 million in FY 20 and \$6.3 million in FY 21 in Personal Services,
- Reductions of \$4.3 million in FY 20 and \$3.7 million in FY 21 in Other Expenses,
- Reductions of \$2.1 million in FY 20 and \$1.1 million in Equipment, and
- Reductions of \$1.1 million in FY 20 and \$3.6 million in various other accounts.

#### GENERAL GOVERNMENT B

##### **Provide Funding for Minimum Wage Impact on Private Providers- OPM**

The proposal provides funding of \$3 million in FY 20 and \$6 million in FY 21 for private providers in recognition of the Governor's proposed minimum wage increase.

##### **Fund Grants for Regional Councils of Government via Regional Planning Incentive Account- OPM**

The proposal eliminates appropriation of \$3.6 million in each of FY 20 and FY 21 for regional Councils of Government. The Governor's proposal provides for this funding via the non-appropriated Regional Planning Incentive Account.

##### **Provide Funding for Car Tax Grants using updated mill rate data- OPM**

The proposal reduces funding by \$1.1 million in FY 20, and increase funding by \$1.6 million in FY 21, to reimburse towns for the revenue loss related to the motor vehicle mill rate cap based on actual FY 18 and FY 19 mill rates.

##### **Modifying Accounting for the Higher Education Alternate Retirement Program – OSC Fringe Benefits**

The proposal provides funding of \$30 million in FY 20 and FY 21 in the Higher Education Alternate Retirement Program (ARP) account to reflect gross appropriating the General Fund (GF) contribution to ARP for GF supported employees. Recoveries from other funding sources will be deposited into the General Fund as revenue resulting in a revenue adjustment of \$43.7 million in FY 20 and \$43.4 million in FY 21 as opposed to being credited to the ARP appropriation.

##### **Digital Front Door – 21<sup>st</sup> Century Digital Experience - DAS**

The Governor is proposing \$2 million in FY 20 and \$4.4 million in FY 21 for a new digital service that will work with agencies to move their interactions with businesses and residents to a state-wide portal.

The proposal includes funding for five IT professionals as well as for IT consultants to help develop a one-stop-shop for individuals starting a business, accessing support during a family crisis, or seeking stability through training and employment.

## **REGULATION AND PROTECTION**

### **Reduce Overtime Costs in the Department of Emergency Services and Public Protection (DESPP)**

The proposal reduces DESPP's Personal Services account by \$4 million to achieve overtime savings. In FY 18, agency overtime totaled \$18.9 million. Through two quarters of FY 19, DESPP spent approximately 37% more (\$16.5 million compared to \$12 million) than the same period in FY 18.

## **CONSERVATION AND DEVELOPMENT**

### **Establish a Paid Family Medical Leave Program - DOL**

The proposal establishes a program to provide up to 12 weeks of paid coverage for family and medical leave funded via a 0.5% payroll tax (capped at the Social Security tax base) on all private sector employees (public employees and tribal members are exempted). The payroll tax is effective July 1, 2020 and benefit payments begin in FY 22.

A one-time appropriation of approximately \$5.2 million for start-up funding is provided in FY 20. This includes \$3.5 million for partial-year funding for 45 staff and associated fringe costs (assuming an average salary of \$80,500), as well as \$1.2 million and \$435,000 for facilities and information technology costs, respectively. Program administration costs, anticipated to equate to roughly 5% of tax receipts, in FY 21 and beyond are funded entirely via the payroll tax.

### **Provide Funding for Community Investment Act (CIA) Programs through General Fund Appropriations - (DEEP, DECD, DOH, and DAG)**

The proposal transfers positions and funding of approximately \$17.4 million for the CIA onto the General Fund. This includes funding of \$5.5 million in the biennium for dairy farmers, \$2.5 million for farmland preservation, \$2.8 million for open space, approximately \$2.8 million for DECD programs, and approximately \$2.3 million for DOH programs.

### **Provide Positions and Funding for Industrial Hemp - AES and DAG**

The proposal provides three positions and funding of \$181,180 in FY 20 and \$192,051 in FY 21 for industrial hemp.

### **Transfer 35 Park Staff from General Fund to Passport to Parks Account - DEEP**

The proposal transfers 35 parks supervisors and maintainers and \$2.7 million in FY 20 and \$2.8 million in FY 21 from the General Fund to the Passport to Parks account.

## **HEALTH**

### **Provide Funding for High School Graduates in Employment and Day Services Programs- DDS**

The proposal provides funding of \$6.4 million in FY 20 and \$14.6 million in FY 21 for new placements in Employment Opportunities and Day Services programs. This supports 324 high school graduates in FY 20 and 369 in FY 21.

**Reduce Funding for the Behavioral Services Program - DDS**

The proposal reduces funding by \$1.0 million in FY 20 and \$1.5 million in FY 21 to reflect attrition in the Behavioral Services Program.

**Provide Funding to Expand the Connecticut Vaccine Program - DPH**

The proposal provides Insurance Fund support of \$4.5 million in FY 20 and \$8.8 million in FY 21 to make additional vaccinations available to privately insured children. Coverage will be expanded to include: (1) the rotavirus vaccines for children 18-months-old through age two (effective 10/1/19), (2) serogroup B meningococcal vaccine for youth 16 years-old through 18 years-old (effective 10/1/19), and (3) the influenza vaccine for children ages five through eighteen (starting in FY 21).

**Reduce Funding for Local and District Health Departments by 20% - DPH**

The proposal reduces funding by \$935,666 in both FY 20 and FY 21. This reflects a 20% decline in statutorily-required (CGS Sec. 19a-245 and CGS Sec. 19a-202) per-capita funding provided to municipal and district departments of health by DPH.

**Annualize Costs for an Additional Physician - CME**

The proposal provides funding of \$206,978 in both FY 20 and \$212,145 in FY 21 to continue support for a ninth physician hired in FY 19 to regain National Association of Medical Examiners (NAME) accreditation. Funding supports salary expenses and associated professional supplies.

**Achieve Savings through Privatization- DMHAS**

The proposal reduces state operated services and redirects funding to private providers to achieve savings of \$2.3 million in FY 20 and \$4.3 million in FY 21. This applies to 41 Young Adult Services residential beds, 10 CMHC transitional residential beds, 16 Capital Regional inpatient beds, and local mental health authority services in Danbury and Torrington.

**HUMAN SERVICES****Maintain Community Services Post-Juvenile Justice (JJ) Consolidation - DCF**

The proposal provides funding of \$4.1 million in both FY 20 and FY 21 to continue support for various community-based services benefitting non-delinquent children and youth, formerly funded under DCF's Juvenile Justice Outreach Services account. Following the consolidation of JJ funding for delinquent children and youth under the Court Support Services Division (CSSD) of the Judicial Branch (PA 17-2 JSS), the Juvenile Justice Outreach Services account was transferred to CSSD.

**Reduce Overtime Expenditures with Technology - DCF**

The proposal reduces Personal Services account funding by \$2.1 million in both FY 20 and FY 21 to reflect overtime savings projected from improved scheduling and management of overtime through the implementation of Kronos software.

**Achieve Efficiencies Through the Creation of a Central Transportation Unit - DCF**

The proposal reduces funding by a net \$1.6 million in FY 20 and \$3.4 million in FY 21 through the establishment of a transportation unit within the agency. This unit is anticipated to reduce

utilization of credentialed transportation vendors and overtime, similar to the Department of Corrections unit.

#### **Achieve Savings in Medicaid Prescription Drug Benefit – DSS**

The proposal includes total savings of \$1.6 million in FY 20 and \$15.5 million in FY 21 in DSS, after factoring in the federal share of expenditures, related to the following: (1) increase prescription drug purchasing through purchasing pools similar to the multi-state consortium TOP\$, (2) expand the use of step therapy for prescriptions to treat certain conditions, and (3) revise diabetic supply program for test strips and lancets to uniformly include them on the preferred drug list as opposed to being provided for certain beneficiaries through the durable medical equipment benefit.

#### **Modify Hospital Medicaid Reimbursement- DSS**

The proposal includes the following changes to Medicaid hospital reimbursement: (1) implement 15% hospital readmission adjustment for hospital readmissions 30 days after discharge and (2) restore hospital Medicaid inpatient rate reduction related to the most recent 3M grouper. The proposals result in a net impact, after factoring in the federal share of expenditures, of \$165 million in FY 20 and \$169.9 million in FY 21.

#### **Institute an Asset Test under the Medicare Savings Program (MSP)- DSS**

The proposal establishes an asset test of \$7,650 for individuals and \$11,340 for couples, which reduces eligibility for the Medicare Savings Program and results in savings of approximately \$10.5 million (\$21 million gross) in FY 21. The policy also provides funding of \$2.8 million in FY 20 and \$1.8 million in FY 21 to support staff and an asset verification system. After considering the federal grants revenue impact, the net savings to the budget is \$25.6 million when annualized.

#### **Provide Support for Special Populations to Achieve Net Savings- DSS/DOH**

The Governor's budget provides \$1.2 million in FY 20 to support targeted initiatives, which result in net savings of \$3.5 million in FY 21 primarily through decreased Medicaid expenditures. When the federal share is considered, this results in total Medicaid savings of approximately \$19 million in FY 21. Initiatives include:

- Diabetes prevention program targeting HUSKY Health members to reduce the risk of developing type 2 diabetes through weight loss, increased physical activity, and addressing psychological and social challenges;
- Medicaid supportive housing benefit for up to 850 high cost high need individuals through a 1915(i) state plan amendment (related funding for stable housing and wraparound services is provided under the Department of Housing);
- Increased rebalancing efforts under Money Follows the Person (MFP) for up to 800 additional transitions through increased staff capacity, predictive modeling, and targeting transition resources (related funding for supportive housing vouchers is provided under the Department of Housing).

## **HIGHER EDUCATION**

### **Increase Block Grants to the Public Colleges and Universities- BOR, UOC, UHC**

The proposal increases Operating Expenses appropriations to each of the public institutions of higher education, including the University of Connecticut Health Center, by between 5.0 and 6.2 percent annually for wage increases in each of FY 20 and FY 21.

### **Increase Bioscience Funding - UHC**

The proposal increases Bioscience Initiative funding by \$4.1 million in FY 20 and \$4.7 million in FY 21, an increase of approximately 40 percent. The Bioscience Initiative is a multi-year effort to support the bioscience industry and the health center through construction, hiring, equipment investments, and community programs.

## **ELEMENTARY AND SECONDARY EDUCATION**

### **Reduce Education Cost Sharing (ECS) - SDE**

The proposal reduces ECS funding compared to the statutory formula by \$18.2 million in FY 20 and \$35.1 million in FY 21 by revising the formula to include the following policy changes:

- The definition of need students uses Direct Certification data, which reduces by 26,053 the number of low-income students counted in the ECS formula in FY 20.
- The annual phase-out (reduction) increment for towns funded over 100 percent of the formula increases to 25% (from 8.33%) of the difference between full funding and the town's FY 17 grant. A related technical change further reduces grants to these towns.

### **Delay Separation of the Connecticut Technical Education and Career System (CTECS) from the State Department of Education (SDE)**

The Governor recommends maintaining the CTECS as a line item within SDE and delay the transfer to establish a separate agency of \$165 million in FY 20 and FY 21.

### **Extend Caps on Various Statutory Grants - SDE**

The Governor recommends extending the cap on various statutory grants, which provide municipal aid to cities and towns. Extending the cap results in a savings to the state of \$67.7 million in FY 20 and \$74.4 million in FY 21.

**Reallocate Funding to Support Sheff Transportation - SDE**

The Governor recommends establishing a new account to support Sheff transportation and reallocates funding from various accounts:

Account	FY 20 \$	FY 21 \$
Sheff Settlement	(800,000)	(800,000)
Open Choice	(13,864,786)	(14,517,973)
Magnet Schools	(30,085,635)	(30,463,825)
Sheff Transportation	44,750,421	45,781,798

**Provide Funding for Increased Enrollment in Choice Programs - SDE**

The Governor recommends providing additional funding in various accounts for increased enrollment in Choice programs:

Account	FY 20 \$	FY 21 \$
Magnet Schools	1,782,325	3,988,969
Charter Schools	1,858,368	4,164,618
Open Choice	1,561,627	3,061,627
Vocational Agriculture	163,571	323,922
Local Charter Schools	60,000	120,000
Total	5,425,891	11,659,136

**Eliminate the Health and Welfare Services Pupils Private School Grant - SDE**

The Governor recommends eliminating the Health and Welfare Services Private School grant and requires private schools to pay the former local share of health services by \$3.5 million in FY 20 and \$3.5 million in FY 21.

**Provide Funding for Educational Shared Services - SDE**

The Governor recommends providing three new positions and corresponding Personal Services funding of \$300,000 and \$500,000 in Other Expenses for consulting services, for a total of \$800,000 in FY 20 and FY 21 to help districts consolidate or expand shared services among districts.

**Eliminate Various Grants - SDE**

The Governor recommends eliminating various grant programs:

Account	FY 20 \$	FY 21 \$
Parent Trust Fund	(267,193)	(267,193)
Young Parents Program	(71,657)	(71,657)
LEAP	(312,211)	(312,211)
CT Writing Project	(20,250)	(20,250)
Bridges to Success	(27,000)	(27,000)
Total	(698,311)	(698,311)

**Fully Fund TRB Health Accounts - TRB**

The proposal provides funding of \$11.4 million in FY 20 and \$15.2 million in FY 21 in the TRB Retiree Health account and \$887,000 in FY 20 and \$890,900 in FY 21 in the Municipal Health Subsidy account. This restores the state share to the statutory one-third level.

### **Net Appropriate Care4Kids - OEC**

The proposal reduces the Care4Kids General Fund appropriation by approximately \$68 million in FY 20 and \$53.6 million in FY 21 to reflect only the state share of program funding in the General Fund line item. A similar adjustment is made to Federal Grants revenue to reflect reallocating federal Child Care Development Funds (CCDF), which support Care4Kids, to a separate federal account. While this change does not impact the overall funding for Care4Kids, it is a change from current practice to reflect only the state share of program funding in the budget.

## **JUDICIAL AND CORRECTIONS**

### **Adjust Judicial's Budget Request - JUD**

The Judicial Department budget request is reduced by \$25.9 million in FY 20 and \$32.5 million in FY 21 through a back of the budget lapse. Included in this lapse are:

- \$10.1 million in FY 20 and FY 21 – Annualized costs for the juvenile justice transfer from DCF to Judicial
- \$6.5 million in FY 20 and FY 21 – Increase security at the courthouses
- \$2.9 million in FY 20 and \$8.2 million in FY 21 – Probate Court adjustments
- \$1.6 million in FY 20 and FY 21 – Transfer positions from the Foreclosure Mediation Program (Banking Fund) to the General Fund

### **Reduce Prison Capacity through Closure of Select Buildings and Units - DOC**

The proposal of funding is reduced by \$3.9 million in FY 20 and FY 21 to reflect the closure of various units, cottages, and buildings throughout the Department of Correction. Recommended closures include: (1) two unit closures at Northern Correctional Institute in Somers, (2) two cottage unit closures at Manson Youth Institute in Cheshire, and (3) one building closure at Bridgeport Correctional Institute. The savings will mainly be seen in overtime as the staff in these units and buildings are re-deployed to fill vacancies throughout the agency.

### **Provide Funds to Expand the Medication Assisted Treatment Program (MAT) - DOC**

The proposal of funding of \$2.0 million in FY 20 and \$6.0 million in FY 21 is recommended to expand the Medication Assisted Treatment (MAT) program for inmates with Opioid Use Disorder. It's estimated that approximately 10% or 1,200 inmates will qualify for the program.

## IV. SIGNIFICANT REVENUE CHANGES

### **Expand Sales Tax to Services<sup>6</sup>**

The proposal expands the Sales Tax to various services provided to consumers (business to business transactions remain exempted from the tax):

- Professional services (\$208.7 million to the General Fund (GF) in FY 21): legal, accounting, architectural, engineering, interior design, and real estate activities;
- Personal Services (\$82.8 million to the GF in FY 21): veterinary, barbershops/beauty salons, dry-cleaning and laundry (including coin-operated), parking, massage therapists and electrology services;
- Recreational Services (\$7.6 million to the GF in FY 21): sports/recreation instruction and industries (camps and schools engaged in athletic instruction, golf courses and country clubs, skiing facilities, marinas, bowling, billiards, fitness and recreational sports, mini golf, go carts, rowing clubs, paintball, shooting ranges, hunting clubs, soccer clubs), horse boarding and training (exempt farmers), scenic and sightseeing transportation, travel arrangement/reservation services.
- General (\$48.8 million to the GF in FY 21): services to buildings/dwellings (e.g. extermination/pest control, janitorial, landscaping, cleaning of: carpet/upholstery, chimney, power washing, drains, driveway, ducts, gutter, windows, swimming pools), waste collection, renovation and repair of residential property.

### **Repeal Various Sales Tax Exemptions<sup>6</sup>**

The proposal eliminates various sales tax exemptions in statute for a total annualized revenue gain of \$152.1 million in FY 21, including: non-prescription drugs, college and professional school textbooks, newspapers and magazines, Connecticut credit unions, campground rentals, bicycle helmets, child car seats, vegetable seeds, safety apparel.

### **Increase Hotel Tax Rate**

Under current law, the Room Occupancy Tax is 15%, of which 10% (or 1.5 percentage points) of the revenue collected transferred to the Tourism Fund.

The proposal increases the Room Occupancy Tax rate to 17%, which benefits the General Fund by \$18 million in FY 20 as well as the Tourism Fund at \$1.8 million with the 10% transfer currently in statute.

### **Freeze the Sales Tax on Motor Vehicles to the STF at 8%**

PA 17-2 JSS, as amended by PA 18-81 shifts revenues from the sale of new and used motor vehicles by a dealer from the General Fund to the Special Transportation Fund under the following schedule: FY 19 (8%); FY 20 (33%); FY 21 (56%); FY 22 (75%); and FY 23 (100%). This results in a revenue gain to the General Fund, and a revenue loss to the Special Transportation Fund, of \$91.0 million in FY 20 and \$175.8 million in FY 21.

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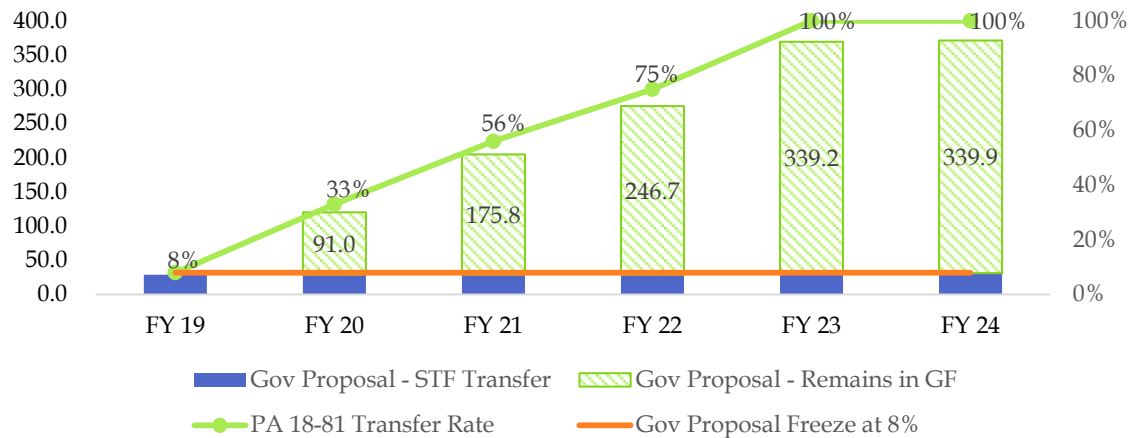
<sup>6</sup>The Special Transportation Fund receives 0.5 percentage points from the 6.35% sales tax rate. The Governor's proposal to extend the 6.35% sales tax to various services and exemptions therefore results in a revenue gain of \$27.4 million in FY 20 and \$44.3 million in FY 21 as well.



The proposal maintains indefinitely the transfer at 8% of motor vehicle sales, or approximately \$30 million in annual transfers.

### STF Motor Vehicle Transfer Impact

In millions of dollars



### Impose a 1.5 cent per ounce Tax on Certain Sugar-sweetened Beverages

The proposal results in an estimated revenue gain of \$163.1 million by establishing a 1.5 cent per ounce tax at the point of sale on sugar-sweetened beverages. The proposal includes sodas, fruit drinks, sports drinks, ready-to-drink tea and coffee, enhanced water, and energy drinks. The proposal excludes diet drinks, freshly served coffee, powders (fruit drink powder mixes). Currently seven cities have a sugary beverages tax; no U.S. state has enacted a tax as of this date.

### Establish New Property Tax Credit

Beginning with FY 24, the proposal establishes a new credit (in addition to the current \$200 property tax credit) available to Income Tax filers with property taxes in excess of 6.5% of their adjusted gross income (AGI) which results in a revenue loss of \$170 million annually. The credit is worth 33% of the excess above the 6.5% threshold up to a maximum credit of \$1,200. The credit is available to renters, who are allowed to assume that 18% of rent goes to property taxes.

### Lower Tax Credit Utilization Cap

Under current law most tax credits allowed under the Corporation Business Tax cannot exceed 50.01% of the amount of a taxpayer's pre-credit liability. However, the cap for Research & Development (R&D) and Urban & Industrial Sites Reinvestment Act (URA) tax credits 70%; the proposal lowers the cap for R&D and URA tax credits to 50.01% for a total revenue gain of \$34.4 million in FY 20 and \$21.5 million annually thereafter.

Additionally, the proposal extends the 50.01% credit utilization cap on all credits to the Public Service Companies Tax, which is not currently subject to any credit cap. This results in a revenue gain of \$2 million annually.

**Eliminate Business Entity Tax and Increase Pass-Through Entity Annual Filing Fee**

This proposal eliminates the \$250 biennial Business Entity Tax levied on pass-through entities, resulting in a revenue loss of \$11 million in FY 20 and \$44 million in FY 21. This is partially offset by increasing the Secretary of State's annual filing fee for pass-through entities from \$20 to \$100, which results in a revenue gain of \$16 million annually beginning in FY 20.

**Repeal Gift Tax and Delay Estate Tax Filing Deadline**

This proposal eliminates the Gift Tax, and establishes a 3-year lookback for gifts made in contemplation of death. This results in a revenue loss of \$9 million annually beginning in FY 20.

Additionally, the filing deadline for the Estate Tax is delayed from 6 months to 9 months from death; this results in a one-time revenue loss of \$33.6 million due to a shift in the timing of payments.

## V. SIGNIFICANT CAPITAL BUDGET CHANGES

The Governor's recommended capital budget authorizations and cancellations are in the table below.

### Net Effective Bonds by Type (in millions)

	FY 20 \$	FY 21 \$
General Obligation Bonds (GO)	1,296.0	1,357.5
Special Tax Obligation Bonds (STO)	1,482.6	782.4
Clean Water Fund Revenue Bonds (CWF)	-	84.0
Total	2,778.6	2,223.9

### Changes by Bond Type

General Obligation Bonds (GO)	FY 20	FY 21
New authorizations	944.2	976.5
Existing authorizations effective July 1	492.3	261.2
Changes to existing authorizations	(140.4)	119.8
Net Effective Authorizations	1,296.0	1,357.5

The Governor's proposal revises effective years for authorizations within the UConn 2000 and CSCU 2020 programs, which results in a reduction of current FY 20 authorizations by \$140.4 million and an increase in FY 21 authorizations by \$119.8 million. More detail on proposed new authorizations is provided later in this section.

The Governor also proposes limiting GO bond issuance to \$1.6 billion per year, \$300 million less than the current statutory bond issuance cap. Without further changes, the current cap, which began in FY 19, is to be adjusted by an inflationary figure beginning in FY 20.

Special Tax Obligation Bonds (GO)	FY 20	FY 21
New authorizations	776.6	782.4
Existing authorizations effective July 1	706.0	-
Net Effective Authorizations	1,482.6	782.4

Besides the new \$776.6 million in new STO bond authorizations in FY 20, the proposal does not change the last year of Let's Go, CT! authorization.

The Governor's proposal would limit STO issuance to \$800 million starting in FY 21. Current law limits STO issuance to \$750 million in FY 19 and FY 20, but also allowed \$250 million of GO bonding for transportation in each of those years. The proposal would prevent the use of the GO transportation bonds, effectively limiting transportation bonding to \$750 million in FY 20.

Clean Water Fund Revenue Bonds (CWF)	FY 20	FY 21
New Authorizations	-	84.0

**New Bond Authorizations by Bond Type and Agency (in millions)**

<b>Bond Type/Agency/Program</b>	<b>FY 20 \$</b>	<b>FY 21 \$</b>
<b>GO (subtotal)</b>	<b>944.2</b>	<b>976.5</b>
<b>CSCU</b>		
Advanced manufacturing	3.0	3.0
All colleges - renovations	14.0	14.0
All universities - renovations	7.0	7.0
System equipment	6.0	6.0
System telecom	2.0	2.0
<b>DAS</b>		
Removal or encapsulation of asbestos	10.0	10.0
School Construction Payments (Principal)	500.0	500.0
Alterations and improvements ADA	-	1.0
<b>DECD</b>		
Brownfield redevelopment	10.0	10.0
Cultural grants	-	5.0
<b>DEEP</b>		
Clean Water Fund Grants - GO bond	75.0	75.0
<b>DESPP</b>		
Criminal Justice Information System	8.9	-
<b>DOH</b>		
CHFA Downpayment Assistance	4.0	4.0
CHFA Downpayment Assistance - Teachers	0.5	0.5
<b>DOT</b>		
Town Aid Road GO (Note: Additional \$30 million per year in STO bonds)	30.0	30.0
<b>JUD</b>		
Alterations and improvements ADA	2.0	2.0
Alterations, renovations and improvements to state buildings	11.0	10.0
Security Improvements at various state-owned buildings	2.0	2.0
Stamford HVAC	2.3	-
Technology plan	2.0	2.0
<b>MIL</b>		
State matching funds	1.0	1.0
<b>OLM</b>		
Capitol Renovations	15.0	-
Capitol sidewalks/roads	1.8	-
Old State House	1.7	-
<b>OPM</b>		
Capital Equipment Purchase Fund	-	27.0
IT investment	95.0	95.0
LoCIP	30.0	30.0
Nonprofit grant program	-	25.0
Urban Act	50.0	50.0
Municipal Projects and Purposes Grants	60.0	60.0

Bond Type/Agency/Program	FY 20 \$	FY 21 \$
<b>SDE</b>		
VT school infrastructure	-	5.0
<b>STO (subtotal)</b>	<b>776.6</b>	<b>782.4</b>
<b>DOT</b>		
Bus and rail facilities and equipment	236.0	236.0
Capital resurfacing and related construction	106.5	106.5
Department Facilities	9.4	15.2
Environmental compliance	9.9	9.9
Fix-it-First program to repair the state's bridges	110.0	110.0
Fix-it-First program to repair the state's roads	75.0	75.0
Highway and Bridge Renewal Equipment	16.0	16.0
Interstate Highway Program	13.0	13.0
Intrastate Highway Program	44.0	44.0
Local Bridge Program	10.0	10.0
Local Transportation Capital Program	67.0	67.0
State bridge improvement, rehabilitation	33.0	33.0
Town aid road (Note: Additional \$30 million per year in GO bonds)	30.0	30.0
Urban Systems Program	16.8	16.8
<b>CWF (subtotal)</b>	<b>-</b>	<b>84.0</b>
<b>DEEP</b>		
Clean Water Fund Loans (Revenue Bonds)	-	84.0

**Bond Cap Calculation** - The Governor's proposed bond package for the biennium is below the statutory bond cap on General Obligation bonds in each fiscal year, based on revenue estimates that include his tax proposals. The table below shows the debt percentage is expected to be 82.2% as of July 1, 2019 and 79.6% as of July 1, 2020.

CGS Section 3-21 stipulates that if the level of bonded indebtedness reaches 90% of the limit, the governor must review each bond act for which no obligations have yet been incurred and recommend to the General Assembly priorities for repealing these authorizations.

**Statutory Bond Cap Estimate for the Governor's Proposed Bond Package  
(in millions)**

	FY 20 \$	FY 21 \$
Proposed Net Tax Revenues, including Governor's tax proposals	16,845.9	17,454.8
Statutory Multiplier	1.6	1.6
Debt Limit	26,953.4	27,927.7
Proposed Net Indebtedness	22,146.3	22,244.3
<b>Percentage of Debt Limit</b>	<b>82.2%</b>	<b>79.6%</b>
90% Debt Limit Threshold	24,258.1	25,134.9
<b>Capacity Remaining Under 90% Threshold</b>	<b>2,111.7</b>	<b>2,890.6</b>

## VI. MUNICIPAL AID

### TRS Changes Drive Decreases in Municipal Aid

The Governor's FY 20 and FY 21 budget proposal reduces municipal aid from FY 19 levels by \$74.0 million in FY 20 and \$17.3 million in FY 21. This is primarily due to 1) decreases in Teachers' Retirement Contributions on behalf of municipalities of \$83.5 million in FY 20 and \$44.3 million in FY 21, and 2) a requirement for municipalities to contribute \$23.8 million in FY 20 and \$49.2 million in FY 21 towards the normal cost of teachers' retirement contributions.

### Other Significant Changes in Municipal Aid

The Governor's budget also:

- Provides \$17.7 million in FY 20 and \$39.4 million in FY 21 to partially fund the changes in Education Cost Sharing funding passed in PA 17-2, the FY 18 and FY 19 budget.
- Provides \$1.5 million in FY 20 and \$4.2 million in FY 21 to provide Car Tax Cap Reimbursement grants using updated FY 18 and FY 19 municipal mill rates.
- Eliminates funding of \$3.4 million for Health and Welfare Services for Private School Students. The Governor's proposal requires private schools to make the payments currently made by the state.

See the chart below for a grant-by-grant summary of changes in municipal aid:

### Municipal Aid Synopsis, FY 20 - FY 21 Governor's Recommended

Fund/Agency	FY 19 Estimated \$	FY 20 Gov. Rec. \$	FY 21 Gov. Rec. \$	FY 20 Gov. Rec. - FY 19 \$	FY 21 Gov. Rec. - FY 19 \$
<b>Appropriated Funds</b>					
<b>Office of Policy and Management</b>					
State Property PILOT	54,944,031	54,944,031	54,944,031	-	-
College & Hospital PILOT	105,889,432	105,889,434	105,889,434	2	2
Reimbursement Property Tax - Disability Exemption	364,713	364,713	364,713	-	-
Property Tax Relief Elderly Freeze Program	65,000	40,000	40,000	(25,000)	(25,000)
Property Tax Relief for Veterans	2,708,107	2,708,107	2,708,107	-	-
Municipal Transition (Car Tax Cap Reimbursement Grants)	28,138,552	29,596,908	32,331,732	1,458,356	4,193,180
Municipal Restructuring <sup>1</sup>	27,300,000	7,300,000	7,300,000	(20,000,000)	(20,000,000)
Municipal Revenue Sharing (Supplemental PILOT)	36,819,135	36,819,135	36,819,135	-	-
Municipal Stabilization	37,753,335	37,753,335	37,753,335	-	-

Fund/Agency	FY 19 Estimated \$	FY 20 Gov. Rec. \$	FY 21 Gov. Rec. \$	FY 20 Gov. Rec. - FY 19 \$	FY 21 Gov. Rec. - FY 19 \$
Grant					
Pequot Grants	49,942,796	49,942,796	49,942,796	-	-
<b>State Department of Education</b>					
Vocational Agriculture	13,759,589	14,952,000	15,124,200	1,192,411	1,364,611
Adult Education	20,383,960	20,383,960	20,383,960	-	-
Health and Welfare Services Pupils Private Schools	3,438,415	-	-	(3,438,415)	(3,438,415)
Education Equalization Grants <sup>1</sup>	2,016,728,682	2,034,411,986	2,056,150,639	17,683,304	39,421,957
Bilingual Education	3,177,112	3,177,112	3,177,112	-	-
Priority School Districts	37,150,868	37,150,868	37,150,868	-	-
Young Parents Program	71,657	-	-	(71,657)	(71,657)
Interdistrict Cooperation	1,537,500	1,537,500	1,537,500	-	-
School Breakfast Program	2,158,900	2,158,900	2,158,900	-	-
Excess Cost - Student Based	140,619,782	140,619,782	140,619,782	-	-
Youth Service Bureaus	2,598,486	2,612,772	2,612,772	14,286	14,286
Open Choice Program <sup>2</sup>	39,138,373	26,835,214	27,682,027	(12,303,159)	(11,456,346)
Magnet Schools <sup>2</sup>	326,508,158	298,204,848	300,033,302	(28,303,310)	(26,474,856)
After School Program	4,720,695	4,720,695	4,720,695	-	-
Sheff Transportation <sup>2</sup>	-	44,750,421	45,781,798	44,750,421	45,781,798
<b>Teachers' Retirement Board</b>					
Retirement Contributions	1,292,314,000	1,208,783,000	1,248,029,000	(83,531,000)	(44,285,000)
Retirees Health Service Cost	14,575,250	26,001,300	29,849,400	11,426,050	15,274,150
Municipal Retiree Health Insurance Costs	4,644,673	5,532,120	5,535,640	887,447	890,967
<b>Other Appropriated Aid</b>					
Housing/Homeless Services- Municipality	575,226	575,226	575,226	-	-
Local and District Departments of Health	4,144,588	3,742,666	3,742,666	(401,922)	(401,922)
School Based Health Clinics	10,743,232	10,550,187	10,550,187	(193,045)	(193,045)
Teen Pregnancy Prevention - Municipality	98,281	98,281	98,281	-	-
Connecticard Payments	703,638	703,638	703,638	-	-
Municipal Restructuring (Debt Service) <sup>1</sup>	20,000,000	45,666,625	56,314,629	25,666,625	36,314,629
<b>Total Appropriated</b>	<b>4,303,716,166</b>	<b>4,258,527,560</b>	<b>4,340,625,505</b>	<b>(45,188,606)</b>	<b>36,909,339</b>

Fund/Agency	FY 19 Estimated \$	FY 20 Gov. Rec. \$	FY 21 Gov. Rec. \$	FY 20 Gov. Rec. - FY 19 \$	FY 21 Gov. Rec. - FY 19 \$
<b>Funds</b>					
<b>Bond Funds</b>					
Town Aid Road	60,000,000	60,000,000	60,000,000	-	-
LoCIP	34,999,987	30,000,000	30,000,000	(4,999,987)	(4,999,987)
Grants for Municipal Projects	60,000,000	60,000,000	60,000,000	-	-
<b>Total Bond Funds</b>	<b>154,999,987</b>	<b>150,000,000</b>	<b>150,000,000</b>	<b>(4,999,987)</b>	<b>(4,999,987)</b>
<b>GROSS TOTAL</b>	<b>4,458,716,153</b>	<b>4,408,527,560</b>	<b>4,490,625,505</b>	<b>(50,188,593)</b>	31,909,352
Teachers' Retirement Board- Normal Cost payments	-	(23,825,270)	(49,201,442)	(23,825,270)	(49,201,442)
<b>NET TOTAL</b>	<b>4,458,716,153</b>	<b>4,384,702,290</b>	<b>4,441,424,063</b>	<b>(74,013,863)</b>	<b>(17,292,090)</b>

<sup>1</sup>The Governor's budget funds all debt service payments to the City of Hartford via the Municipal Restructuring- Debt Service line item within the Treasurer's Office. These payments are made in accordance with the Contract Assistance Agreement reached between the City of Hartford and the Municipal Accountability Review Board on March 27, 2018.

<sup>2</sup>The Governor's budget establishes the Sheff Transportation account and reallocates funding from the Open Choice and Magnet School accounts.



## APPENDIX A: Full Time Authorized Position Count by Agency and Fund

Fund/Agency	Authorized	Revised	Governor Recommended	Governor Recommended
	FY 18	FY 19	FY 20	FY 21
<b>General Fund</b>				
Legislative Management	444	436	436	436
Auditors of Public Accounts	126	126	126	126
Commission on Women, Children & Seniors	6	6	6	6
Commission on Equity and Opportunity	6	6	6	6
Governor's Office	28	28	28	28
Secretary of the State	85	85	85	85
Lieutenant Governor's Office	7	7	7	7
Elections Enforcement Commission	35	35	35	35
Office of State Ethics	16	16	16	16
Freedom of Information Commission	16	16	16	16
State Treasurer	45	45	45	45
State Comptroller	277	277	277	277
Department of Revenue Services	660	660	660	660
Office of Governmental Accountability	19	19	19	19
Office of Policy and Management	125	125	125	125
Department of Veterans' Affairs	243	243	243	243
Department of Administrative Services	663	663	668	669
Attorney General	311	311	311	311
Division of Criminal Justice	486	486	486	486
Department of Emergency Services and Public Protection	1,735	1,735	1,735	1,735
Military Department	42	42	42	42
Department of Consumer Protection	218	218	221	221
Labor Department	191	191	191	191
Commission on Human Rights and Opportunities	82	82	82	82
Protection and Advocacy for Persons with Disabilities	-	-	-	-
Department of Agriculture	50	50	55	55
Department of Energy and Environmental Protection	618	618	587	587
Council on Environmental Quality	2	-	-	-
Department of Economic and Community Development	89	89	91	91
Department of Housing	23	23	23	23
Agricultural Experiment Station	69	69	70	70
Department of Public Health	495	480	476	476
Office of Health Strategy	-	23	23	23
Office of the Chief Medical Examiner	50	50	51	51
Department of Developmental Services	2,980	2,980	2,980	2,980
Department of Mental Health and Addiction Services	3,438	3,438	3,438	3,438
Psychiatric Security Review Board	3	3	3	3
Department of Social Services	2,009	1,986	2,021	2,021
State Department on Aging	-	-	-	-
Department of Rehabilitation Services	113	136	136	136
Department of Education	1,819	1,819	1,822	1,822
Technical Education and Career System	-	-	-	-
Office of Early Childhood	118	118	118	118
State Library	55	55	55	55

Fund/Agency	Authorized	Revised	Governor Recommended	Governor Recommended
	FY 18	FY 19	FY 20	FY 21
Office of Higher Education	27	27	27	27
University of Connecticut	2,413	2,413	2,413	2,413
University of Connecticut Health Center	1,698	1,698	1,698	1,698
Teachers' Retirement Board	27	27	27	27
Connecticut State Colleges and Universities	4,633	4,633	4,633	4,633
Department of Correction	6,117	6,117	6,118	6,118
Department of Children and Families	3,240	3,240	3,021	3,021
Judicial Department	4,329	4,329	4,329	4,329
Public Defender Services Commission	447	447	451	451
<b>General Fund Total</b>	<b>40,728</b>	<b>40,726</b>	<b>40,532</b>	<b>40,533</b>
<b>Special Transportation Fund</b>				
State Treasurer	1	1	1	1
Department of Motor Vehicles	603	603	603	603
Department of Energy and Environmental Protection	29	29	29	29
Department of Transportation	3,357	3,362	3,412	3,412
<b>Special Transportation Fund Total</b>	<b>3,990</b>	<b>3,995</b>	<b>4,045</b>	<b>4,045</b>
<b>Banking Fund</b>				
Department of Banking	119	119	117	117
Judicial Department	20	20	-	-
<b>Banking Fund Total</b>	<b>139</b>	<b>139</b>	<b>117</b>	<b>117</b>
<b>Insurance Fund</b>				
Office of Policy and Management	2	2	2	2
Insurance Department	151	150	151	151
Office of the Healthcare Advocate	27	18	17	17
Department of Housing	1	1	1	1
Department of Public Health	5	5	9	9
Office of Health Strategy	-	9	10	10
<b>Insurance Fund Total</b>	<b>186</b>	<b>185</b>	<b>190</b>	<b>190</b>
<b>Consumer Counsel and Public Utility Control Fund</b>				
Office of Consumer Counsel	12	12	12	12
Department of Energy and Environmental Protection	122	122	122	122
<b>Consumer Counsel and Public Utility Control Fund Total</b>	<b>134</b>	<b>134</b>	<b>134</b>	<b>134</b>
<b>Workers' Compensation Fund</b>				
Division of Criminal Justice	4	4	4	4
Labor Department	2	2	2	2
Workers' Compensation Commission	117	117	117	117
Department of Rehabilitation Services	6	6	6	6
<b>Workers' Compensation Fund Total</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>
<b>Regional Market Operation Fund</b>				
Department of Agriculture	7	7	7	7
<b>Regional Market Operation Fund Total</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
<b>GRAND TOTAL - Appropriated Funds</b>	<b>45,313</b>	<b>45,315</b>	<b>45,154</b>	<b>45,155</b>

## APENDIX B: Revenue Policies

General Fund						
Fund/Tax Type	Policy	FY 20	FY 21	FY 22	FY 23	FY 24
<b>Taxes</b>						
Personal Income Tax	Establish a new credit against the Income Tax when Property Taxes exceed 6.5% of taxpayers' AGI	-	-	-	-	(170.0)
	Repeal expansion of the Income Tax exemption for Social Security Income	24.2	17.4	18.4	19.6	20.9
	Repeal the new Income Tax exemption for Pension and Annuity Income	32.8	41.1	57.5	73.9	90.4
	Repeal the new Income Tax credit for STEM graduates	3.9	7.9	11.8	15.8	19.7
	Permanently cap at 25% the Teachers' Pension Exemption from the Income Tax	8.0	8.0	8.0	8.0	8.0
	<b>Personal Income Tax Total</b>	<b>68.9</b>	<b>74.4</b>	<b>95.7</b>	<b>117.3</b>	<b>(31.0)</b>
Sales and Use Tax	Repeal the Municipal Revenue Sharing Account	-	-	356.3	365.2	374.4
	Expand the Sales Tax to include Legal Services	35.3	71.7	72.7	73.7	74.7
	Expand the Sales Tax to include Accounting Services	5.0	10.2	10.3	10.5	10.6
	Expand the Sales Tax to include Architectural Services	5.7	11.6	11.8	11.9	12.1
	Expand the Sales Tax to include Engineering Services	21.1	42.7	43.3	43.9	44.5
	Expand the Sales Tax to include Interior Design Services	1.9	3.9	4.0	4.0	4.1
	Expand the Sales Tax to include Real Estate Activities and Agents/Brokers	33.8	68.6	69.6	70.7	71.7
	Expand the Sales Tax to include Veterinary Services	9.1	18.6	18.8	19.1	19.3
	Expand the Sales Tax to include Barber Shops and Beauty Salons	20.8	42.2	42.9	43.5	44.2
	Expand the Sales Tax to include Dry-Cleaning and Laundry Services, including Coin-Operated	8.6	17.3	17.6	17.9	18.1
	Repeal the Sales Tax Exemption for Massage Therapists and Electology Services	0.5	1.0	1.0	1.0	1.1
	Expand the Sales Tax to include Sports / Recreation Instruction & Industries	3.0	5.9	6.0	6.1	6.1
	Expand the Sales Tax to include Horse Boarding and Training	0.3	0.5	0.6	0.6	0.6
	Expand the Sales Tax to include Travel Arrangement and Scenic Transportation	0.6	1.2	1.3	1.3	1.3
	Expand the Sales Tax to include Buildings and Dwellings	7.9	16.0	16.2	16.5	16.7

General Fund						
Fund/Tax Type	Policy	FY 20	FY 21	FY 22	FY 23	FY 24
	Expand the Sales Tax to include Waste Collection	0.5	1.1	1.1	1.1	1.1
	Repeal the Sales Tax Exemption for Renovation and Repair of Residential Property	15.6	31.7	32.1	32.6	33.1
	Repeal the Sales Tax Exemption for the Maintenance of Vessels	1.9	3.9	4.0	4.0	4.1
	Repeal the Sales Tax Exemption for Winter Storage of Vessels	0.8	1.1	1.1	1.2	1.2
	Increase the Sales Tax on Boats from 2.99% to 6.35%	2.3	2.3	2.3	2.4	2.4
	Increase the Sales Tax on Digital Downloads from 1.0% to 6.35%	27.5	37.1	37.7	38.2	38.8
	Increase the Hotel Occupancy Tax from 15% to 17%	17.6	18.1	18.5	19.0	19.5
	Repeal the Sales Tax Exemption for vehicular trade-ins	60.4	61.6	62.8	64.1	65.4
	Repeal the Sales Tax Exemption for Non-Prescription Drugs	14.9	30.5	31.2	32.0	32.8
	Repeal the Sales Tax Exemption for Text Books, College & Professional Schools	0.3	0.5	0.5	0.5	0.5
	Repeal the Sales Tax Exemption for Newspapers and Magazines	6.5	13.2	13.4	13.6	13.8
	Repeal the Sales Tax Exemption for CT Credit Unions	0.3	0.5	0.5	0.5	0.5
	Repeal the Sales Tax Exemption for Campground Rentals	0.4	0.8	0.8	0.8	0.8
	Repeal the Sales Tax Exemption for Bicycle Helmets	0.1	0.2	0.2	0.2	0.2
	Repeal the Sales Tax Exemption for Child car Seats	0.1	0.2	0.2	0.2	0.2
	Repeal the Sales Tax Exemption for Vegetable Seeds	-	0.1	0.1	0.1	0.1
	Repeal the Sales Tax Exemption for Safety Apparel	0.1	0.1	0.1	0.1	0.1
	Recognize Increase in Sales Tax due to E-Cigarettes Excise Tax	0.4	0.6	0.7	0.7	0.8
	Recognize Decrease in Sales Tax due to Raising the Age for Cigarette Restriction	(0.8)	(0.8)	(0.7)	(0.7)	(0.7)
	Eliminate the Sales-Tax free week	4.9	5.0	5.0	5.1	5.2
	Expand the Sales Tax to include Parking	1.8	3.7	3.7	3.8	3.8
	Reflect impact on the Tourism Account from increasing the Hotel Occupancy Tax rate	(1.8)	(1.8)	(1.9)	(1.9)	(1.9)
	Freeze the diversion of the motor vehicle sales	91.0	175.8	246.7	339.2	339.9

General Fund						
Fund/Tax Type	Policy	FY 20	FY 21	FY 22	FY 23	FY 24
	tax from the GF at 8%					
	Reflect STF portion of Sales Tax Expansion	(27.4)	(44.3)	(45.0)	(45.7)	(46.5)
	<b>Sales and Use Tax Total</b>	<b>371.0</b>	<b>652.6</b>	<b>1,087.5</b>	<b>1,197.0</b>	<b>1,214.7</b>
Corporation Tax	Maintain current 10% surcharge set to expire in tax year 2019	60.0	37.5	37.5	37.5	37.5
	Repeal the business entity tax of \$250	(11.0)	(44.0)	(11.0)	(44.0)	(11.0)
	Reduce cap on R&D and URA tax credits to 50.01%	34.4	21.5	21.5	21.5	21.5
	Limit carryforward of new R&D tax credits to 15 years	-	-	-	-	-
	Repeal 7/7 Program	-	8.0	20.0	30.0	40.0
	<b>Corporation Tax Total</b>	<b>83.4</b>	<b>23.0</b>	<b>68.0</b>	<b>45.0</b>	<b>88.0</b>
Public Service Companies Tax	Eliminate exemption for gas sold to facility with 775 MW of Capacity	3.6	3.6	3.6	3.6	3.6
	Cap credits claimed against the public utilities tax at 50.01% of liability	2.0	2.0	2.0	2.0	2.0
	<b>Public Service Companies Tax Total</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>
Inheritance and Estate Tax	Repeal gift tax (3-year lookback for gifts in contemplation of death)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)
	Delay estate filing from 6 months to 9 months to match federal	(33.6)	-	-	-	-
	<b>Inheritance and Estate Tax Total</b>	<b>(42.6)</b>	<b>(9.0)</b>	<b>(9.0)</b>	<b>(9.0)</b>	<b>(9.0)</b>
Cigarette Tax	Tax E-Cigarettes liquid at 75% wholesale	6.7	9.7	10.5	11.4	12.3
	Raise the Age to 21 for cigarettes	(5.8)	(5.5)	(5.2)	(4.9)	(4.6)
	<b>Cigarette Tax Total</b>	<b>0.9</b>	<b>4.2</b>	<b>5.3</b>	<b>6.5</b>	<b>7.7</b>
Admissions and Dues	Increase the rate for movies from 6.0% to 6.35%	0.2	0.3	0.3	0.3	0.3
	<b>Admissions and Dues Total</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
Real Estate Conveyance	Increase the rate on residential real estate > \$800k to 1.5% from 1.25%	7.7	7.9	8.2	8.4	8.7
	<b>Real Estate Conveyance Total</b>	<b>7.7</b>	<b>7.9</b>	<b>8.2</b>	<b>8.4</b>	<b>8.7</b>
Alcoholic Beverages	Reduce alcohol beverage excise taxes at craft breweries by 50%	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
	<b>Alcoholic Beverages Total</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>
Health Provider	Maintain Hospital User Fee at FY 2019 level of \$900 million	516.0	516.0	516.0	516.0	516.0
	Implement recommendation of ambulatory surgical center tax study	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
	Technical fix to intermediate care facilities (ICF) user fee	0.1	0.1	0.1	0.1	0.1
	<b>Health Provider Total</b>	<b>515.1</b>	<b>515.1</b>	<b>15.1</b>	<b>515.1</b>	<b>515.1</b>
Miscellaneous	Surcharge on Plastic Bags of 10 cents	30.2	26.8	21.4	17.2	13.7
	Establish a 1.5¢ per ounce tax on sugar-	-	163.1	154.2	139.2	139.9

General Fund						
Fund/Tax Type	Policy	FY 20	FY 21	FY 22	FY 23	FY 24
	sweetened beverages					
	<b>Miscellaneous Total</b>	<b>30.2</b>	<b>189.9</b>	<b>175.6</b>	<b>156.4</b>	<b>153.6</b>
	<b>Taxes Total</b>	<b>1,040.3</b>	<b>1,463.9</b>	<b>1,952.2</b>	<b>2,042.5</b>	<b>1,953.6</b>
<b>Other Revenue</b>						
Licenses, Permits, Fees	Include Recommended Tests in Newborn Screening Panel	0.1	0.1	0.1	0.1	0.1
	Increase annual filing fee for LLC's and LLP's from \$20 to \$100	16.0	16.0	16.0	16.0	16.0
	Fees for Industrial Hemp Program	0.1	0.3	0.3	0.3	0.3
	Bring the off-budget community investment act (CIA) program on budget	18.5	18.5	18.5	18.5	18.5
	<b>Licenses, Permits, Fees Total</b>	<b>34.7</b>	<b>34.9</b>	<b>34.9</b>	<b>34.9</b>	<b>34.9</b>
Miscellaneous	Town reimbursement for teachers' retirement fund	23.8	49.2	71.3	72.6	73.8
	<b>Miscellaneous Total</b>	<b>23.8</b>	<b>49.2</b>	<b>71.3</b>	<b>72.6</b>	<b>73.8</b>
Rents, Fines, Escheats	Add 25 cent deposit on wine and liquor glass bottles	4.4	6.0	6.1	6.2	6.2
	Add 5 cent deposit to 50ml bottles of alcohol	0.5	0.6	0.6	0.6	0.6
	<b>Rents, Fines, Escheats Total</b>	<b>4.9</b>	<b>6.6</b>	<b>6.7</b>	<b>6.8</b>	<b>6.8</b>
	<b>Other Revenue Total</b>	<b>63.4</b>	<b>90.7</b>	<b>112.9</b>	<b>114.3</b>	<b>115.5</b>
<b>Other Sources</b>						
Federal Grants	Net Appropriate for Care 4 Kids/Child Care Development Fund	(67.6)	(53.3)	(53.3)	(53.3)	(53.3)
	Maintain Supplemental (Hospital) Payments at FY 2019 level	215.4	214.0	214.0	214.0	214.0
	Reflect increase in revenue attributable to Medicaid (expenditure) changes	(21.8)	(6.4)	(6.4)	(6.4)	(6.4)
	<b>Federal Grants Total</b>	<b>126.0</b>	<b>154.3</b>	<b>154.3</b>	<b>154.3</b>	<b>154.3</b>
Transfers From / (To) Other Funds	Fund Higher Education Alternative Retirement Plan	43.7	43.4	43.4	43.4	43.4
	Maintain the FY 2019 transfer to the Mashantucket/Pequot Fund	8.1	8.1	8.1	8.1	8.1
	<b>Transfers From / (To) Other Funds Total</b>	<b>51.8</b>	<b>51.5</b>	<b>51.5</b>	<b>51.5</b>	<b>51.5</b>
	<b>Other Sources Total</b>	<b>177.8</b>	<b>205.8</b>	<b>205.8</b>	<b>205.8</b>	<b>205.8</b>
Adjust Available Revenues	Implement "revenue cap"	(96.8)	(150.3)	(204.0)	(261.1)	(319.4)
	<b>Adjust Available Revenues Total</b>	<b>(96.8)</b>	<b>(150.3)</b>	<b>(204.0)</b>	<b>(261.1)</b>	<b>(319.4)</b>
	<b>General Fund Total</b>	<b>1,184.7</b>	<b>1,610.1</b>	<b>2,066.9</b>	<b>2,101.5</b>	<b>1,955.5</b>

<b>Special Transportation Fund</b>
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<b>Fund/Tax Type</b>	<b>Policy</b>	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>
<b>Taxes</b>						
Sales and Use Tax	Sales tax attribution of sales tax expansions	27.4	44.3	45.0	45.7	46.5
	Freeze the diversion of the motor vehicle sales tax from the GF at 8%	(91.0)	(175.8)	(246.7)	(339.2)	(339.9)
	<b>Sales and Use Tax Total</b>	<b>(63.6)</b>	<b>(131.5)</b>	<b>(201.7)</b>	<b>(293.5)</b>	<b>(293.4)</b>
	<b>Taxes Total</b>	<b>(63.6)</b>	<b>(131.5)</b>	<b>(201.7)</b>	<b>(293.5)</b>	<b>(293.4)</b>
<b>Other Sources</b>						
Motor Vehicle Receipts	Increase operator license renewal from 6 years to 8 years	-	3.3	3.3	5.4	5.5
	Increase operator registration renewal from 2 years to 3 years	-	22.4	46.2	(0.3)	(0.9)
	<b>Motor Vehicle Receipts Total</b>	<b>-</b>	<b>25.7</b>	<b>49.5</b>	<b>5.1</b>	<b>4.6</b>
Transfers From / (To) Other Funds	Transfer FY 2020 revenue for use in FY 2021	(20.0)	20.0	-	-	-
	<b>Transfers From/ (To) Other Funds Total</b>	<b>(20.0)</b>	<b>20.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Other Sources Total</b>	<b>(20.0)</b>	<b>45.7</b>	<b>49.5</b>	<b>5.1</b>	<b>4.6</b>
<b>Tolls</b>						
Tolls	Install tolls for congestion mitigation	-	-	-	185.8	743.3
	<b>Tolls Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185.8</b>	<b>743.3</b>
Adjust Available Revenues	Implement "revenue cap"	(8.6)	(13.7)	(18.5)	(29.2)	(39.0)
	<b>Adjust Available Revenues Total</b>	<b>(8.6)</b>	<b>(13.7)</b>	<b>(18.5)</b>	<b>(29.2)</b>	<b>(39.0)</b>
	<b>Special Transportation Fund Total</b>	<b>(92.2)</b>	<b>(99.5)</b>	<b>(170.7)</b>	<b>(131.8)</b>	<b>415.5</b>

<b>Tourism Fund</b>						
<b>Fund/Tax Type</b>	<b>Policy</b>	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>
Sales and Use Tax	Reflect impact on the Tourism Account from increasing the Hotel Occupancy Tax rate	1.8	1.8	1.9	1.9	1.9
<b>GRAND TOTAL</b>		<b>1,094.3</b>	<b>1,512.4</b>	<b>1,898.1</b>	<b>1,971.6</b>	<b>2,372.9</b>